

Summary of Rate Case Expense Comparisons
Woodhaven and Oak Run Divisions

Line No.	Categories	Current Case	Prior Case	Increase
(a)	(b)	(c)	(d)	(e)
		From Aqua Illinois Schedules C-10 & C-10.1'		(c) - (d)
	<u>Outside Consultants/Witnesses</u>			
1	Woodhaven Water	\$ 35,750	\$ 13,905	\$ 21,845
2	Woodhaven Sewer	35,750	10,144	25,606
3	Oak Run Water	33,500	7,470	26,030
4	Subtotal - Outside Consultants/Witnesses	\$ 105,000	\$ 31,519	73,481
	<u>Outside Legal Services</u>			
5	Woodhaven Water	\$ 50,450	-	50,450
6	Woodhaven Sewer	50,450	\$ 47,716	2,734
7	Oak Run Water	50,900	15,155 *	35,745
8	Subtotal - Outside Legal Services	\$ 151,800	\$62,871	88,929
	<u>Other Expenses</u>			
9	Woodhaven Water (consisting of:)	\$74,750	\$30,950	43,800
	Aqua America Legal Dept.	3,000		
	Aqua America Rates Dept.	46,750		
	Aqua America Miscellaneous Expenses	25,000		
	Woodhaven Sewer (consisting of:)	74,750	4,631	70,119
	Aqua America Legal Dept.	3,000		
	Aqua America Rates Dept.	46,750		
	Aqua America Miscellaneous Expenses	25,000		
	Oak Run Water (consisting of:)	45,475	1,471 *	44,004
	Aqua America Legal Dept.	2,750		
	Aqua America Rates Dept.	32,725		
	Aqua America Miscellaneous Expenses	10,000		
	Subtotal - Other Expenses	\$194,975	\$37,052	157,923
	<u>Total Rate Case Expenses</u>			
	Woodhaven Water	\$160,950	\$44,855	116,095
	Woodhaven Sewer	160,950	62,491	98,459
	Oak Run Water	129,875	24,096	105,779
	Total -All Three Divisions	\$ 451,775	\$ 131,442	\$ 320,333

* Response to BAP 1.05 indicated a modification to Schedule C-10.1 is necessary, as reflected above.

Number of Customers (Aqua Exhibit 1.0)

Woodhaven Water (Aqua Ex. 1.0, p. 13, lines 8-9)	6,188	6,188
Woodhaven Sewer (Aqua Ex. 1.0, p. 13, lines 9-10)	5,300	5,300
Oak Run Water (Aqua Ex. 1.0, p. 13, lines 5-6)	2,600	2,600
Total -All Three Divisions	14,088	14,088

Total Rate Case Expense Per Customer

Woodhaven Water	\$ 26.01	\$ 7.25	\$ 18.76
Woodhaven Sewer	\$ 30.37	\$ 11.79	\$ 18.58
Oak Run Water	\$ 49.95	\$ 9.27	\$ 40.68

Annual Rate Case Expense Per Customer - Staff Proposed Recovery Periods

Woodhaven Water - 5 year amortization	\$ 5.20	\$ 1.45	\$ 3.75
Woodhaven Sewer - 7 year amortization	\$ 4.34	\$ 1.68	\$ 2.65
Oak Run Water - 7 year amortization	\$ 7.14	\$ 1.32	\$ 5.81

Annual Rate Case Expense Per Customer - Company Proposed Recovery Periods

Woodhaven Water - 4 year amortization	\$6.50	\$ 1.81	\$ 4.69
Woodhaven Sewer - 4 year amortization	\$7.59	\$ 2.95	\$ 4.64
Oak Run Water - 3 year amortization	\$16.65	\$ 3.09	\$ 13.56

Summary of Rate Case Expense Comparisons
Vermilion Division

Line No.	Categories	Most Recent Docket 04-0442	Prior Case Docket 00-0339	Increase
(a)	(b)	(c)	(d)	(e)
		From Aqua Illinois Schedules C-10 & C-10.1		(c) - (d)
	<u>Outside Consultants/Witnesses (from Sched. C-10)</u>			
1	Vermilion Water	\$ 51,900	\$ 35,675	\$ 16,225
	<u>Outside Legal Services (from Schedule C-10)</u>			
2	Vermilion Water	48,540	-	48,540
	<u>Other Expenses (from Schedule C-10)</u>			
3	Vermilion Water	120,300	79,405	40,895
	<u>Total Rate Case Expenses</u>			
4	Vermilion Water	\$ 220,740	\$ 115,080	105,660
	<u>No. of Customers (Docket No. 05-0072, WP-A5, line 2, col. B)</u>			
5	Vermilion Water	17,255	17,255	
	<u>Total Rate Case Expense Per Customer</u>			
6	Vermilion Water	\$ 12.79	\$ 6.67	\$ 6.12
	<u>Annual Rate Case Expense Per Customer</u>			
7	Using 4-year amortization period for recovery	\$ 3.20	\$ 1.67	\$ 1.53

Summary of Rate Case Expense Comparisons
Kankakee Division

Line No.	Categories	Most Recent Docket 03-0403	Prior Case Docket 00-0337 Kankakee Amount	Increase
(a)	(b)	(c)	(d)	(e) (c) - (d)
	<u>Outside Consultants/Witnesses (from Sched. C-10)</u>	From Aqua Illinois Schedules C-10 & C-10.1		
1	Kankakee Water	\$ 51,000	\$ 41,400	\$ 9,600
	<u>Outside Legal Services (from Schedule C-10)</u>			
2	Kankakee Water	-	-	-
	<u>Other Expenses (from Schedule C-10)</u>			
3	Kankakee Water	144,000	91,792	52,208
	<u>Total Rate Case Expenses</u>			
4	Kankakee Water	\$ 195,000	\$ 133,192	61,808
	<u>No. of Customers (Docket No. 05-0072, WP-A5, line 2, col. B)</u>			
5	Kankakee Water	23,093	23,093	
	<u>Total Rate Case Expense Per Customer</u>			
6	Kankakee Water	\$ 8.44	\$ 5.77	\$ 2.68
	<u>Annual Rate Case Expense Per Customer</u>			
7	Using 4-year amortization period for recovery	\$ 2.11	\$ 1.44	\$ 0.67

ILLINOIS COMMERCE COMMISSION
STAFF DATA REQUEST

Utility Company: AQUA ILLINOIS, INC.

Docket No.: 05-0072

Date Submitted: February 10, 2005

Submitted By: Jack Schreyer, Manager of Rates

BAP 1.02 Provide the calculation supporting the amount of \$43,292 reflected as Regulatory Commission Expense Amortization on Schedule C-2, line 17.

- 1). The supporting calculation should clearly indicate whether the Company is requesting amortization of rate case expense over three or four years in the instant proceeding;
- 2). Provide the rationale for the requested amortization period; and
- 3). Clarify an inconsistency in the requested amortization period for rate case expense as reflected on Schedule C-2.2, line 3 which refers to a four-year amortization of rate case expense and line 18 that shows no amortization of prior rate case expense from Docket No. 97-0351 included in the \$43,292 pro forma adjustment, which reflects a three-year amortization period of the projected rate case expense of \$129,875.

Answer: Supporting calculations for the \$43,292 are shown on Schedule C-2.2.

- 1). The Company is requesting amortization of rate case expense over three years in the instant proceeding.
- 2). The Company is considering installing a Reverse Osmosis treatment plant within the next three years. Such a significant investment would necessitate a rate filing within three years to support this major capital improvement.
- 3). Line 3 of Schedule C-2.2 is in error. Line 3 should state, "An adjustment is made to reflect a three year amortization of rate case expense." Line 18 is correct as shown - there is no amortization from the prior rate case, Docket No. 97-0351, included in the current request.

ILLINOIS COMMERCE COMMISSION
STAFF DATA REQUEST

Utility Company: AQUA ILLINOIS, INC.

Docket No.: 05-0072

Date Submitted: February 10, 2005

Submitted By: Jack Schreyer, Manager of Rates

BAP 1.03 Referring to Schedule C-10.1, Rate Case Expense Comparisons, the column for the Oak Run Water Division's most recent rate case, Docket No. 97-0351, reflects a total of \$24,096, compared to \$129,875 in the instant proceeding which is an increase of \$105,779 or 539%. Referring to Schedule C-10.1:

- a). Provide the documentation supporting the derivation of the amounts in the instant proceeding, by category of expense; and
- b). Provide the rationale for the substantial increase in the instant proceeding compared to the prior rate proceeding for each category.

Answer:

a) The documentation supporting the derivation of the amounts in the instant proceeding, by category of expense, is provided on Schedule C-10. This is an analysis of projected expense, which was the Company's best estimate at the time of filing. Documentation supporting the amounts as well as known and measurable changes will be provided to Staff during the course of this proceeding.

b) The estimated increase is due to several factors, which include but are not necessarily limited to the following:

As noted on lines 16 and 17 of Schedule C-10.1, the prior case benefited from greater economies of being filed with several other divisions, including the Company's two larger divisions. Docket No. 97-0351 was filed utilizing a historical test year. The instant proceeding was filed under future test year filing requirements. The filing requirements for a future test year call for substantially more data than was required under Docket No. 97-0351, thus a resulting substantial increase in costs. Additionally, a future test year filing must be audited, also contributing to additional costs incurred. Further, inflation since the prior case was filed in 1997 results in a greater amount of costs. The increase is also based, in part, on the substantial amount of discovery propounded by Staff to which the Company has been required to respond in more recent rate cases as well as the nature of issues raised by Staff in recent cases, trends that the

Company assumes will continue for purposes of estimating the expense it will incur in this case.

ILLINOIS COMMERCE COMMISSION
STAFF DATA REQUESTS
DOCKET NOS. 05-0071

Utility Company: Aqua Illinois, Inc.
Date Submitted: February 18, 2005
Submitted By: Jack Schreyer
Manager of Rates

BAP 2.02 Referring to Schedule C-10.1, Rate Case Expense Comparisons, the column for the Woodhaven Water Division's most recent rate case, Docket No. 00-0338, reflects a total of \$44,855, compared to \$160,950 in the instant proceeding which is an increase of \$116,095 or 359%.

Referring to Schedule C-10.1:

- a) Provide the documentation supporting the derivation of the amounts in the instant proceeding, by category of expense; and,
- b) Provide the rationale for the substantial increase in the instant proceeding compared to the prior rate proceeding for each category.

Answer

a) The documentation supporting the derivation of the amounts in the instant proceeding, by category of expense, is provided on Schedule C-10. This is an analysis of projected expense, which was the Company's best estimate at the time of filing. Documentation supporting the amounts as well as known and measurable changes will be provided to Staff during the course of this proceeding.

b) The estimated increase is due to several factors, which include but are not necessarily limited to the following:

As noted on lines 16 and 17 of Schedule C-10.1, the prior case benefited from greater economies of being filed with the Company's two larger divisions. Also noted is the fact that Docket No. 00-0338 was stipulated without cost of hearings, briefs, exceptions etc. Docket No. 00-0338 was also processed with in-house legal support. Further, inflation since the prior case was filed in 2000 results in a greater amount of costs. Lastly, the increase is also based, in part, on the substantial amount of discovery propounded by Staff to which the Company has been required to respond in more recent rate cases as well as the nature of issues raised by Staff in recent cases, trends that the Company assumes will continue for purposes of estimating the expense it will incur in this case.

ILLINOIS COMMERCE COMMISSION
STAFF DATA REQUESTS
DOCKET NOS. 05-0071

Utility Company: Aqua Illinois, Inc.

Date Submitted: February 18, 2005

Submitted By: Jack Schreyer
Manager of Rates

BAP 2.03 Referring to lines 16-17 of Schedule C-10.1 that state that the prior rate case benefited from greater economies, having been filed along with the Vermilion and Kankakee Divisions:

- a) Explain in detail the greater economies from which the Woodhaven Water Division benefited in Docket No. 00-0338 because it was included in the same rate case as the Kankakee and Vermilion Divisions; and
- b) Explain in detail the rationale supporting the decision to separately file the instant proceeding for an increase in the Woodhaven Water Division's rates instead of filing with other Company divisions such as the Kankakee and Vermilion Divisions. Include in the discussion the names of those individuals who made the decision, their titles, the date of the decision and provide all documentation supporting the decision.

Answer

- a) Costs associated with cost of equity, rate of return, development of total company schedules, common expense and accounting issues, etc. applicable to the three divisions consolidated under Dockets 00-0337 / 00-0338 / 00-0339 resulted in the economies noted. Also, the rate case expense was allocated between the divisions based on customer counts, which enhanced the Woodhaven Water Division economies with respect to the two larger divisions.
- b) Information relevant to support the rate filing for the Woodhaven Water and Sewer Divisions at the time of the Vermilion filing in May 2004 and Kankakee filing in May 2003 was not completely available. Specifically, unresolved issues related to possible Radium Removal capital expenditures and uncollectible accounts existed at the time of the earlier filings.

ILLINOIS COMMERCE COMMISSION
STAFF DATA REQUESTS
DOCKET NOS. 05-0071

Utility Company: Aqua Illinois, Inc.

Date Submitted: February 18, 2005

Submitted By: Jack Schreyer
Manager of Rates

BAP 3.02 Referring to Schedule C-10.1, Rate Case Expense Comparisons, the column for the Woodhaven Sewer Division's most recent rate case, Docket No. 97-0351, reflects a total of \$62,491, compared to \$160,950 in the instant proceeding which is an increase of \$98,459 or 258%.

Referring to Schedule C-10.1:

- a) Provide the documentation supporting the derivation of the amounts in the instant proceeding, by category of expense; and,
- b) Provide the rationale for the substantial increase in the instant proceeding compared to the prior rate proceeding for each category.

Answer

a) The documentation supporting the derivation of the amounts in the instant proceeding, by category of expense, is provided on Schedule C-10. This is an analysis of projected expense, which was the Company's best estimate at the time of filing. Documentation supporting the amounts as well as known and measurable changes will be provided to Staff during the course of this proceeding.

b) The estimated increase is due to several factors, which include but are not necessarily limited to the following:

As noted on lines 16 and 17 of Schedule C-10.1, the prior case benefited from greater economies of being filed with several other divisions, including the Company's two larger divisions. Docket No. 97-0351 was filed utilizing a historical test year. The instant proceeding was filed under future test year filing requirements. The filing requirements for a future test year call for substantially more data than was required under Docket No. 97-0351, thus a resulting substantial increase in costs. Additionally, a future test year filing must be audited, also contributing to additional costs incurred. Further, inflation since the prior case was filed in 1997 results in a greater amount of costs. The increase is also based, in part, on the substantial amount of discovery propounded by Staff to which the Company has been required to respond in more recent rate cases as well as the nature of issues raised by Staff in recent cases, trends that the Company assumes will continue for purposes of estimating the expense it will incur in this case.

ILLINOIS COMMERCE COMMISSION
STAFF DATA REQUESTS
DOCKET NOS. 05-0071

Utility Company: Aqua Illinois, Inc.

Date Submitted: February 18, 2005

Submitted By: Jack Schreyer
Manager of Rates

BAP 3.03 Referring to lines 16-17 of Schedule C-10.1 that state that the prior rate case benefited from greater economies, having been filed along with the Vermilion and Kankakee Divisions:

- a) Explain in detail the greater economies from which the Woodhaven Sewer Division benefited in Docket No. 00-0338 because it was included in the same rate case as the Kankakee and Vermilion Divisions; and
- b) Explain in detail the rationale supporting the decision to separately file the instant proceeding for an increase in the Woodhaven Sewer Division's rates instead of filing with other Company divisions such as the Kankakee and Vermilion Divisions. Include in the discussion the names of those individuals who made the decision, their titles, the date of the decision and provide all documentation supporting the decision.

Answer

a) Costs associated with cost of equity, rate of return, development of total company schedules, common expense and accounting issues, etc. applicable to the three divisions consolidated under Dockets 00-0337 / 00-0338 / 00-0339 resulted in the economies noted. The differences in the customer counts, particularly with respect to Woodhaven Sewer vs. the two larger divisions, resulted in rate case expense allocation by customer percentage which enhanced the Woodhaven Sewer Division economies.

b) Information relevant to support the rate filing for the Woodhaven Water and Sewer Divisions at the time of the Vermilion filing in May 2004 and Kankakee filing in May 2003 was not completely available. Specifically, unresolved issues related to possible Radium Removal capital expenditures and uncollectible accounts existed at the time of the earlier filings.

ILLINOIS COMMERCE COMMISSION
STAFF DATA REQUEST

Utility Company: AQUA ILLINOIS, INC.

Docket No.: 05-0072

Date Submitted: February 10, 2005

Submitted By: Jack Schreyer, Manager of Rates

BAP 1.04 Referring to lines 16-17 of Schedule C-10.1 that state that the prior rate case benefited from greater economies, having been filed along with the much larger Vermilion and Kankakee Divisions:

a). Explain in detail the greater economies from which the Oak Run Water Division benefited in Docket No. 97-0351 because it was included in the same rate case as the much larger Kankakee and Vermilion Divisions; and

b). Explain in detail the rationale supporting the decision to separately file the instant proceeding for an increase in the Oak Run Water Division's rates instead of filing with other Company divisions such as the much larger Kankakee and Vermilion Divisions. Include in the discussion the names of those individuals who made the decision, their titles, the date of the decision and provide all documentation supporting the decision.

Answer:

a) Costs associated with cost of equity, rate of return, development of total company schedules, common expense and accounting issues, etc. applicable to all divisions consolidated under Docket 97-0351 resulted in the economies noted.

b) Information relevant to support the rate filing for Oak Run at the time of the Vermilion filing in May 2004 and Kankakee filing in May 2003 was not completely available. Specifically, unresolved issues related to the possible construction of a Reverse Osmosis Treatment Plant (such as whether or not to build the plant, timing of such construction and rate impact etc.) existed at the time of the earlier filings.

ILLINOIS COMMERCE COMMISSION
STAFF DATA REQUEST

Utility Company: AQUA ILLINOIS, INC.

Docket No.: 05-0072

Date Submitted: February 10, 2005

Submitted By: Jack Schreyer, Manager of Rates

BAP 1.05 Explain in detail the rationale supporting the decision to utilize outside legal counsel in the instant proceeding for an increase in the Oak Run Water Division's rates instead of utilizing in-house counsel, as was done in the prior Oak Run Water Division rate proceeding, Docket No. 97-0351. Include in the discussion the names of those individuals who made the decision, their titles, the date of the decision and provide all documentation supporting the decision.

Answer: The Aqua America rate department oversees the processing of all subsidiary rate proceedings. While Aqua America provides legal oversight for each subsidiary rate filing, the number, complexity and timing of such filings determines the extent to which outside legal counsel is required / retained. The decision to utilize outside legal counsel in the instant and other 2004 proceedings was made early in 2004 by Kathy L. Pape, Esq. - Vice - President, Treasurer and Rate Counsel of Aqua America. Please note, outside legal services were retained for the Oak Run Division as part of the Docket No. 97-0351 proceeding. Schedule C-10.1 should reflect \$15,155 for Outside Legal Services and \$1,471 (rather than \$16,626 shown) for Other Expenses in the prior case column.

ILLINOIS COMMERCE COMMISSION
STAFF DATA REQUESTS
DOCKET NO. 05-0072

Utility Company: Aqua Illinois, Inc.

Date Submitted: April 19, 2005

Submitted By: Jack Schreyer
Manager of Rates

BAP 16.01 Referring to the direct testimony of Thomas J. Bunosky (Aqua Exhibit 1.0, page 17, lines 1 through 14), Mr. Bunosky refers to a planned survey of Oak Run customers to determine whether they will accept the cost to remove certain elements from the water using Reverse Osmosis technology. According to Mr. Bunosky, if a favorable vote is obtained, Aqua will propose to install the Reverse Osmosis treatment equipment in a future rate proceeding.

With regard to this testimony, please clarify the following:

- a). When will the Company finalize the engineering plans to determine the cost of the treatment (lines 2 through 3)?
- b). When will the Company conduct its survey of Oak Run customers (lines 3 through 4)?
- c). When will the Company clarify the issue of how the revenue requirement will be spread between the customer classes and within those customer classes (necessary before a vote is taken, according to Mr. Bunosky's testimony) (lines 6 through 14)?

Answer

- a) The preliminary engineering plans and cost estimates have been finalized by Farnsworth Engineering. The preliminary cost estimate is \$1,400,000.
- b) The survey will be conducted after the current case is implemented. The engineer's estimate for RO will be updated, the revenue requirement will be determined, the percent increase on the new rates will be determined, the spread of the Revenue Requirement between the Availability and User customers will be estimated and these numbers will be included in the survey.
- c) The issue will be proposed in the survey but that will be based on the scenario that the Company proposes. The final spread between these customer classes cannot be finalized until the case would be filed and an Order received. We will not be able to guarantee the spread but only propose a spread in the filing.

ILLINOIS COMMERCE COMMISSION
STAFF DATA REQUESTS
DOCKET NO. 05-0072

Utility Company: Aqua Illinois, Inc.

Date Submitted: April 19, 2005

Submitted By: Jack Schreyer
Manager of Rates

BAP 16.02 Referring to the survey of Oak Run customers described in BAP 16.01 (b), provide a copy of the survey questions posed to Oak Run customers, if and when available.

Answer

The survey has not been developed at this time. As soon as the survey is developed, we will provide a copy.

ILLINOIS COMMERCE COMMISSION
STAFF DATA REQUESTS
DOCKET NO. 05-0072

Utility Company: Aqua Illinois, Inc.

Date Submitted: April 19, 2005

Submitted By: Jack Schreyer
Manager of Rates

BAP 16.03 Referring to the survey of Oak Run customers described in BAP 16.01 (b),
provide a copy of the survey results, if and when available.

Answer

When the survey is conducted, a copy of the results will be provided.

ILLINOIS COMMERCE COMMISSION
STAFF DATA REQUESTS
DOCKET NO. 05-0072

Utility Company: Aqua Illinois, Inc.

Date Submitted: April 19, 2005

Submitted By: Jack Schreyer
Manager of Rates

BAP 16.04 Referring to the survey of Oak Run customers described in BAP 16.01 (b), describe how the results of the survey will be interpreted. For example, will the outcome be determined simply by a numerical majority of customers or by some other means? If the latter, please be specific.

Answer

The outcome will be determined by a simple majority of the votes submitted.

ILLINOIS COMMERCE COMMISSION
STAFF DATA REQUEST

Utility Company: AQUA ILLINOIS, INC.

Docket No.: 05-0072

Date Submitted: February 10, 2005

Submitted By: Jack Schreyer, Manager of Rates

BAP 1.08 Regarding the rate case expense category of "Other Expenses":

- a). Explain in detail the individual items that comprise this category;
- b). Provide supporting calculations for each individual amount;
- c). Provide supporting documentation for each respective component included in the total; and
- d). Explain in detail the reason for the significant increase for this component of Other Expenses, as compared to the prior rate case, Docket No. 97-0351.

Answer:

a) The \$45,475 Other Expenses detail is as follows:

Aqua America Legal Fees and travel expenses	\$ 2,750
Aqua America Rate Dept. Fees and expenses	32,725
Other Expenses – Misc.	<u>10,000</u>
	<u>\$45,475</u>

Other expenses include estimated costs for transcripts, notification, printing, copying, conference calls, etc.

b) Aqua America Legal Fees assumes 14 hours at \$125 per hour for Parent Company overall legal support. Aqua America Rate Dept. Fees assumes 544 hours at \$56 per hour for Direct rate case processing.

The expenses will be incurred over the course of the proceeding. The amounts included in the filing were the Company's best estimates at the time of filing.

c) Documentation supporting the expenses will be provided to Staff as incurred.

d) Please see Company responses to BAP 1.03 (b) and BAP 1.04 (a).

ILLINOIS COMMERCE COMMISSION
STAFF DATA REQUESTS
DOCKET NO. 05-0072

Utility Company: Aqua Illinois, Inc.

Date Submitted: April 19, 2005

Submitted By: Jack Schreyer
Manager of Rates

BAP 16.05 Referring to the survey of Oak Run customers described in BAP 16.01 (b), indicate what actions the Company anticipates if the results of the survey are negative (i.e., if Oak Run customers are unwilling to absorb the cost of the Reverse Osmosis treatment plant).

Answer

The Company will not install the RO system unless the IEPA orders the Company to install the treatment to meet standards.

ILLINOIS COMMERCE COMMISSION
STAFF DATA REQUESTS
DOCKET NOS. 05-0072

Utility Company: Aqua Illinois, Inc.

Date Submitted: February 23, 2005

Submitted By: Jack Schreyer
Manager of Rates

BAP 4.02 Referring again to Schedule C-2.3, line 34 reflects a pro forma adjustment of \$10,180 to raise the expense level to approximately 2% of revenues.

- a) Provide the calculation supporting this rate of expense;
- b) Provide the documentation supporting the derivation of this rate;
and
- c) Provide the rationale for the substantial pro forma increase in the expense rate compared to the rate of .4911% utilized on line 14 of Schedule C-2.3 and identified on Schedule A-2.1, line 3, column (C).

Answer

- a) The Company utilized 5% of a preliminary pre-adjustment revenue increase request of approximately \$203,600 to raise the expense level to approximately 2% of revenues as follows:

$$\$203,600 \times 5\% = \$10,180$$

- b) Please see response to BAP 4.02 (c) below.
- c) Approximately 63% of the Company's requested rate increase is derived from Availability customer revenues. As noted on the fourth page of Aqua Exhibit 4.0, the Availability charge has been increased 81.92%. This, coupled with the high uncollectible expense experience of Candlewick Division Availability customers, led the Company to conservatively increase its Oak Run Uncollectible expense at some level higher than that produced by the overall increase as reflected on Schedule C-2.3, line 35. The additional adjustment amount is the \$10,180 as shown on Schedule C-2.3, line 34 as calculated above in response to BAP 4.02 (b).

ILLINOIS COMMERCE COMMISSION
STAFF DATA REQUESTS
DOCKET NOS. 05-0071

Utility Company: Aqua Illinois, Inc.
Date Submitted: February 18, 2005
Submitted By: Jack Schreyer
Manager of Rates

BAP 2.04 Explain in detail the rationale supporting the decision to utilize outside legal counsel in the instant proceeding for an increase in the Woodhaven Water Division's rates instead of utilizing in-house counsel, as was done in the prior Woodhaven Water Division rate proceeding, Docket No. 00-0338. Include in the discussion the names of those individuals who made the decision, their titles, the date of the decision and provide all documentation supporting the decision.

Answer

The Aqua America rate department oversees the processing of all subsidiary rate proceedings. While Aqua America provides legal oversight for each subsidiary rate filing, the number, complexity and timing of such filings determines the extent to which outside legal counsel is required / retained. The decision to utilize outside legal counsel in the instant and other 2004 proceedings was made early in 2004 by Kathy L. Pape, Esq. - Vice-President, Treasurer and Rate Counsel of Aqua America.

ILLINOIS COMMERCE COMMISSION
STAFF DATA REQUESTS
DOCKET NOS. 05-0072

Utility Company: Aqua Illinois, Inc.

Date Submitted: February 24, 2005

Submitted By: Jack Shreyer
Manager of Rates

BAP 10.01 Schedule C-4, pages 1 through 4, provides Comparative Operating Income Statements for the Total Company and Oak Run Water Division for the years 2000 through 2003 and projected amounts for 2004 through 2005.

Please provide updated information, for both the Total Company and the Oak Run Water Division reflecting actual results for the year 2004.

Answer

Please see response to JF-1.05.

ILLINOIS COMMERCE COMMISSION
STAFF DATA REQUESTS
DOCKET NOS. 05-0071

Utility Company: Aqua Illinois, Inc.

Date Submitted: February 17, 2005

Submitted By: Jack Schreyer
Manager of Rates

JF-1.05 Please provide an Income Statement for the year ended December 31, 2004 on a total company and divisional basis. Specifically, provide an Income Statement for the Oak Run Water Division, the Woodhaven Water Division and the Woodhaven Sewer Division, as well as for the total company, Aqua Illinois, Inc.

Answer

Please see WH 000007-000010.

AQUA ILLINOIS, INC.

Woodhaven Water & Sewer and Oak Run Divisions

JF-1.05

Income Statement for the Year Ended December 31, 2004 - Oak Run Division

Line	Account # (A)	Account Description (B)	Direct PR (C)	Non-Payroll (D)	2004 Total (E)
1	460-474	Total Operating Revenues		\$ 318,248	\$ 318,248
2	601	Salaries & Wages, Employees	24,778		24,778
3	603	Salaries & Wages, Officers	5,621		5,621
4	604	Employee Pensions & Benefits		2,900	2,900
5	615 & 616	Purchased Power & Fuel for Power Prod.		7,531	7,531
6	618	Chemicals		3,184	3,184
7	620	Materials & Supplies		4,952	4,952
8	631	Contractual Services - Engineering		-	-
9	632	Contractual Services - Accounting		7,488	7,488
10	633	Contractual Services - Legal		13,644	13,644
11	634	Contractual Services - Management		48,862	48,862
12	635 & 636	Contractual Services - Other		46,070	46,070
13	641 - 642	Lease Expense		1,479	1,479
14	650	Transportation Expense		9,809	9,809
15	656 - 659	Insurance Expense		3,695	3,695
16	666 & 667	Regulatory Commission Exp. Amortization		-	-
17	670	Bad Debt Expense		8,201	8,201
18	675	Miscellaneous Expense		51,598	51,598
19		O & M Expenses	30,399	209,413	239,812
20	403	Depreciation Expense		36,153	36,153
21	406	Amortization of Utility Plant Acquisition Adjust.		-	-
22	407	Amortization - Transaction Costs (Below Line)		-	-
23	408	Taxes Other Than Income		47,016	47,016
24		Income Taxes - Current Federal		(16,406)	(16,406)
25		Income Taxes - Current State		(3,509)	(3,509)
26		Deferred Federal Income Taxes		-	-
27		Deferred State Income Taxes		-	-
28		Provision for Deferred Income Taxes - Credit		-	-
29		Amortization of I. T. C. - Federal		-	-
30		Amortization of I. T. C. - State		-	-
31		Utility Operating Expenses	\$ 30,399	\$ 272,667	\$ 303,066
32		Utility Operating Income	\$ (30,399)	\$ 45,581	\$ 15,182
33		Gains (Losses) from Disposition of Utility Property (Net)		-	-
34		Total Utility Operating Income	\$ (30,399)	\$ 45,581	\$ 15,182
35		<u>Other Income and Deductions:</u>			
36		Interest and Dividend Income		-	-
37		Allowance for Funds Used During Construction		5,311	5,311
38		Non-Utility Income		-	-
39		Miscellaneous Non-Utility Expenses		(2,580)	(2,580)
40		Non-Operating Income Taxes		-	-
41		Amortization of Pre-1971 I. T. C.		-	-
42		Total Other Income and Deductions		\$ 2,731	\$ 2,731
43		<u>Debt Expense:</u>			
44		Interest Expense		45,325	45,325
45		Amortization of Debt Discount and Expense		1,399	1,399
46		Amortization of Premium on Debt		210	210
47		Total Debt Expense		\$ 46,934	\$ 46,934
48		NET INCOME	\$ (30,399)	\$ 1,378	\$ (29,021)

Docket No. 05-0071/05-0072 (Cons)
ICC Staff Exhibit 1.0
Attachment N
Page 3 of 3

WH 000008

ILLINOIS COMMERCE COMMISSION
STAFF DATA REQUESTS
DOCKET NOS. 05-0071

Utility Company: Aqua Illinois, Inc.

Date Submitted: February 24, 2005

Submitted By: Jack Schreyer
Manager of Rates

BAP 11.01 Schedule C-4, pages 1 through 4, provides Comparative Operating Income Statements for the Total Company and Woodhaven Water Division for the years 2000 through 2003 and projected amounts for 2004 through 2005.

Please provide updated information, for both the Total Company and the Woodhaven Water Division reflecting actual results for the year 2004.

Answer

Please see response to JF-1.05.

ILLINOIS COMMERCE COMMISSION
STAFF DATA REQUESTS
DOCKET NOS. 05-0071

Utility Company: Aqua Illinois, Inc.

Date Submitted: February 17, 2005

Submitted By: Jack Schreyer
Manager of Rates

JF-1.05 Please provide an Income Statement for the year ended December 31, 2004 on a total company and divisional basis. Specifically, provide an Income Statement for the Oak Run Water Division, the Woodhaven Water Division and the Woodhaven Sewer Division, as well as for the total company, Aqua Illinois, Inc.

Answer

Please see WH 000007-000010.

AQUA ILLINOIS, INC.

Woodhaven Water & Sewer and Oak Run Divisions

JF-1.05

Income Statement for the Year Ended December 31, 2004 - Woodhaven Water Division

Line	Account # (A)	Account Description (B)	Direct PR (C)	Non-Payroll (D)	2004 Total (E)
1	460-474	Total Operating Revenues		\$ 791,329	\$ 791,329
2	601	Salaries & Wages, Employees	111,235		111,235
3	603	Salaries & Wages, Officers	14,295		14,295
4	604	Employee Pensions & Benefits		29,546	29,546
5	615 & 616	Purchased Power & Fuel for Power Prod.		30,225	30,225
6	618	Chemicals		6,802	6,802
7	620	Materials & Supplies		7,936	7,936
8	631	Contractual Services - Engineering		200	200
9	632	Contractual Services - Accounting		17,673	17,673
10	633	Contractual Services - Legal		50,621	50,621
11	634	Contractual Services - Management		115,688	115,688
12	635 & 636	Contractual Services - Other		15,805	15,805
13	641 - 642	Lease Expense		1,638	1,638
14	650	Transportation Expense		8,607	8,607
15	656 - 659	Insurance Expense		11,290	11,290
16	666 & 667	Regulatory Commission Exp. Amortization		12,148	12,148
17	670	Bad Debt Expense		58,849	58,849
18	675	Miscellaneous Expense		125,235	125,235
19		O & M Expenses	125,530	492,283	617,793
20	403	Depreciation Expense		123,308	123,308
21	406	Amortization of Utility Plant Acquisition Adjust.		-	-
22	407	Amortization - Transaction Costs (Below Line)		-	-
23	408	Taxes Other Than Income		128,183	128,183
24		Income Taxes - Current Federal		(63,367)	(63,367)
25		Income Taxes - Current State		(13,992)	(13,992)
26		Deferred Federal Income Taxes		-	-
27		Deferred State Income Taxes		-	-
28		Provision for Deferred Income Taxes - Credit		-	-
29		Amortization of I. T. C. - Federal		-	-
30		Amortization of I. T. C. - State		-	-
31		Utility Operating Expenses	\$ 125,530	\$ 686,395	\$ 791,925
32		Utility Operating Income	\$ (125,530)	\$ 124,934	\$ (596)
33		Gains (Losses) from Disposition of Utility Property (Net)		-	-
34		Total Utility Operating Income	\$ (125,530)	\$ 124,934	\$ (596)
35		<u>Other Income and Deductions:</u>			
36		Interest and Dividend Income		-	-
37		Allowance for Funds Used During Construction		2,181	2,181
38		Non-Utility Income		777	777
39		Miscellaneous Non-Utility Expenses		(4,296)	(4,296)
40		Non-Operating Income Taxes		-	-
41		Amortization of Pre-1971 I. T. C.		-	-
42		Total Other Income and Deductions		\$ (1,338)	\$ (1,338)
43		<u>Debt Expense:</u>			
44		Interest Expense		95,570	95,570
45		Amortization of Debt Discount and Expense		2,543	2,543
46		Amortization of Premium on Debt		381	381
47		Total Debt Expense		\$ 98,494	\$ 98,494
48		NET INCOME	\$ (125,530)	\$ 25,102	\$ (100,428)

WH 000009

Docket Nos. 05-0071/05-0072 (Cons)
ICC Staff Exhibit 1.0
Attachment 0
Page 3 of 3

ILLINOIS COMMERCE COMMISSION
STAFF DATA REQUESTS
DOCKET NOS. 05-0071

Utility Company: Aqua Illinois, Inc.

Date Submitted: February 24, 2005

Submitted By: Jack Schreyer
Manager of Rates

BAP 12.01 Schedule C-4, pages 1 through 4, provides Comparative Operating Income Statements for the Total Company and Woodhaven Sewer Division for the years 2000 through 2003 and projected amounts for 2004 through 2005.

Please provide updated information, for both the Total Company and the Woodhaven Sewer Division reflecting actual results for the year 2004.

Answer

Please see response to JF-1.05.

ILLINOIS COMMERCE COMMISSION
STAFF DATA REQUESTS
DOCKET NOS. 05-0071

Utility Company: Aqua Illinois, Inc.

Date Submitted: February 17, 2005

Submitted By: Jack Schreyer
Manager of Rates

JF-1.05 Please provide an Income Statement for the year ended December 31, 2004 on a total company and divisional basis. Specifically, provide an Income Statement for the Oak Run Water Division, the Woodhaven Water Division and the Woodhaven Sewer Division, as well as for the total company, Aqua Illinois, Inc.

Answer

Please see WH 000007-000010.

AQUA ILLINOIS, INC.

Woodhaven Water & Sewer and Oak Run Divisions

JF-1.05

Income Statement for the Year Ended December 31, 2004 - Woodhaven Sewer Division

Line	Account # (A)	Account Description (B)	Direct PR (C)	Non-Payroll (D)	2004 Total (E)
1	460-474	Total Operating Revenues		\$ 748,150	\$ 748,150
2	601	Salaries & Wages, Employees	109,123		109,123
3	603	Salaries & Wages, Officers	11,898		11,898
4	604	Employee Pensions & Benefits		22,199	22,199
5	615 & 616	Purchased Power & Fuel for Power Prod.		17,706	17,706
6	618	Chemicals		-	-
7	620	Materials & Supplies		4,157	4,157
8	631	Contractual Services - Engineering		200	200
9	632	Contractual Services - Accounting		15,495	15,495
10	633	Contractual Services - Legal		17,109	17,109
11	634	Contractual Services - Management		100,358	100,358
12	635 & 636	Contractual Services - Other		18,469	18,469
13	641 - 642	Lease Expense		1,589	1,589
14	650	Transportation Expense		8,561	8,561
15	656 - 659	Insurance Expense		12,185	12,185
16	666 & 667	Regulatory Commission Exp. Amortization		-	-
17	670	Bad Debt Expense		22,064	22,064
18	675	Miscellaneous Expense		107,541	107,541
19		O & M Expenses	121,021	347,633	468,654
20	403	Depreciation Expense		77,139	77,139
21	406	Amortization of Utility Plant Acquisition Adjust.		-	-
22	407	Amortization - Transaction Costs (Below Line)		-	-
23	408	Taxes Other Than Income		109,427	109,427
24		Income Taxes - Current Federal		(11,703)	(11,703)
25		Income Taxes - Current State		(2,648)	(2,648)
26		Deferred Federal Income Taxes		-	-
27		Deferred State Income Taxes		-	-
28		Provision for Deferred Income Taxes - Credit		-	-
29		Amortization of I. T. C. - Federal		-	-
30		Amortization of I. T. C. - State		-	-
31		Utility Operating Expenses	\$ 121,021	\$ 519,848	\$ 640,869
32		Utility Operating Income	\$ (121,021)	\$ 228,302	\$ 107,281
33		Gains (Losses) from Disposition of Utility Property (Net)		-	-
34		Total Utility Operating Income	\$ (121,021)	\$ 228,302	\$ 107,281
35		<u>Other Income and Deductions:</u>			
36		Interest and Dividend Income		-	-
37		Allowance for Funds Used During Construction		3,769	3,769
38		Non-Utility Income		-	-
39		Miscellaneous Non-Utility Expenses		(2,028)	(2,028)
40		Non-Operating Income Taxes		-	-
41		Amortization of Pre-1971 I. T. C.		-	-
42		Total Other Income and Deductions		\$ 1,741	\$ 1,741
43		<u>Debt Expense:</u>			
44		Interest Expense		117,950	117,950
45		Amortization of Debt Discount and Expense		3,123	3,123
46		Amortization of Premium on Debt		468	468
47		Total Debt Expense		\$ 121,541	\$ 121,541
48		NET INCOME	\$ (121,021)	\$ 108,502	\$ (12,519)

WH 000010

ILLINOIS COMMERCE COMMISSION
STAFF DATA REQUESTS
DOCKET NO. 05-0072

Utility Company: Aqua Illinois, Inc.

Date Submitted: April 27, 2005

Submitted By: Jack Schreyer
Manager of Rates

BAP 22.01 Provide a copy of the engagement letter with London Witte Group that relates to the amount included for services related to the Oak Run Water Division rate case expense amount of \$15,000, reflected on Aqua Schedule C-10, line 18.

Answer

See OR 000650-000653.

ILLINOIS COMMERCE COMMISSION
STAFF DATA REQUESTS
DOCKET NO. 05-0071

Utility Company: Aqua Illinois, Inc.

Date Submitted: April 27, 2005

Submitted By: Jack Schreyer
Manager of Rates

BAP 23.01 Provide a copy of the engagement letter with London Witte Group that relates to the amount included for services related to the Woodhaven Water Division rate case expense amount of \$17,500, reflected on Aqua Schedule C-10, line 18.

Revised
Answer
See WH 001459-001462.

ILLINOIS COMMERCE COMMISSION
STAFF DATA REQUESTS
DOCKET NOS. 05-0071

Utility Company: Aqua Illinois, Inc.

Date Submitted: April 27, 2005

Submitted By: Jack Schreyer
Manager of Rates

BAP 24.01 Provide a copy of the engagement letter with London Witte Group that relates to the amount included for services related to the Woodhaven Sewer Division rate case expense amount of \$17,500, reflected on Aqua Schedule C-10, line 18.

Answer

See WH 001459-0001462.



August 12, 2004

Mr. Terry Rakocy
President
Aqua Illinois
1000 S. Schuyler Avenue
Kankakee, IL 60901

Dear Mr. Rakocy:

At your request, we are submitting this proposal. Attached is an engagement letter setting out the details of our examination of the financial projections for Williwobrook water, Willowbrook wastewater, Oakrun water, Woodhaven water and Woodhaven wastewater.

It is our understanding that filing date will be September 1, 2004. While we believe that this is achievable, it will take a great deal of coordination and cooperation between us. This should be made simpler because we are already in possession of the majority of information we need to start the process, as well as, having already completed the majority of the work for both the Woodhaven water and Woodhaven wastewater engagements.

While we believe this timeframe will stretch our resources, all attempts will be made to complete the engagement as soon as possible to facilitate your filing date.

The timeline is based upon receiving all projected financial information in a timely manner. We will appreciate new schedules being forwarded to us as soon as they become available.

Our proposed a not to exceed fee on this engagement is \$45,000.

We appreciate the opportunity to work with you again.

Sincerely,

A handwritten signature in cursive script, appearing to read "Bonnie Mann".

Bonnie Mann
Manager

Enclosures

Certified Public Accountants

One American Square, Suite 2600 Indianapolis, Indiana 46282
Telephone | 317-634-4747 Facsimile | 317-634-2727 Web | LondonWitteGroup.com

WH 001459
OR 000650



August 12, 2004

Mr. Terry Rakocy
President
Aqua Illinois
1000 S. Schuyler Avenue
Kankakee, IL 60901

This letter is to confirm our understanding of the terms and objectives of our engagement and the nature and limitations of the services we will provide.

We will examine, in accordance with attestation standards established by the American Institute of Certified Public Accountants and from information management provides, the projected statements of utility operating income for the years ending December 31 2004 and 2005 and the projected statements of rate base and capital structure and summaries of significant assumptions and accounting policies of the Willowbrook water division, Willowbrook wastewater division, Oakrun water division, Woodhaven water division and the Woodhaven wastewater division of Aqua Illinois as of December 31, 2004 and 2005 (financial projections). We will examine the financial projections for the purpose of issuing a report stating whether, in our opinion, (a) management's financial projections are presented in conformity with applicable guidelines established by the American Institute of Certified Public Accountants and (b) management's assumptions provide a reasonable basis for its projections given the hypothetical assumptions.

Our examination of the financial projections will include procedures we consider necessary to evaluate (a) assumptions used by management as a basis for the financial projections, (b) the preparation of the financial projections, and (c) the presentation of the financial projections.

Our report will detail the nature of reservations, if any, we have with respect to the projections. Should any such reservations develop, we will discuss them with you before the report is issued.

If, for any reason, we are unable to complete our examination of the financial projections, we will not issue a report as a result of this engagement.

A financial projection presents, to the best of management's knowledge and belief, the Company's expected utility operating income, rate base and capital structure for the

Certified Public Accountants

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WH 001460
OR 000651

projection period assuming that water rates in effect during 2003 will not change prior to December 31, 2005. It is based on management's assumptions reflecting conditions it expects would exist and courses of action it expects would be taken assuming that water rates in effect during 2003 will not change prior to December 31, 2005. Management is responsible for representations about its plans and expectations and for disclosure of significant information that might affect the ultimate realization of the projected results.

Even if water rates in effect during 2003 will not change prior to December 31, 2005, there will usually be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. Our report will contain a statement to that effect.

We have no responsibility to update our report for events and circumstances occurring after the date of our report.

At the conclusion of the engagement, management agrees to supply us with a representation letter, which, among other things, will confirm management's responsibility for the underlying assumptions and the appropriateness of the financial projections and their presentation.

We understand that the financial projections and our report thereon will be used only for water and wastewater case submission to the Illinois Commerce Commission. If management intends to reproduce the financial projections and our report thereon, they must be reproduced in their entirety, and both the first and subsequent corrected drafts of the document containing the financial projections and any accompanying material must be submitted to us for approval.

We estimate that our fees for these services will be \$45,000. This estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the engagement. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy to confirm your understanding and return it to us.

Sincerely,



Bonnie Mann
Manager

RESPONSE:

This letter correctly sets forth the understanding of Aqua Illinois.



Officer's signature

PRESIDENT

Title

AUGUST 17TH, 2004

Date